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Executive Committee of
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STREAMLINING THE EXECUTIVE COMMITTEE'S PROJECT REVIEW PROCESS

- a) A Discussion Paper from the Fund Secretariat
- b) A Discussion Paper from the United States and Canada on the Technical Review of Fund Projects

A DISCUSSION PAPER FROM THE FUND SECRETARIAT

INTRODUCTION

1. The Executive Committee requested the Fund Secretariat at its Tenth Meeting to prepare, on the basis of the document submitted by the representative of Norway and taking into account the views expressed during the discussion, a paper for the Committee's consideration at its Eleventh Meeting that would set out on the one hand how the Committee's project review efforts could be streamlined and, on the other, how to deal with policy issues. (UNEP/OzL.Pro/ExCom/10/40, para 179.)

BACKGROUND

2. The following five main elements are constant agenda items of a typical Executive Committee meeting: country programmes, progress reports, work programmes, projects, and policy issues. During Committee meetings, each element is, normally, introduced by the Chief Officer, described in more detail by the relevant implementing agency (if pertinent), and discussed by Committee members until a consensus is reached.

3. The presentation of country programmes is an important element of Committee meetings. Country programmes provide both policy and project elements necessary for a country's phase-out strategy. Documentation includes a cover sheet, executive summary, the country programme, and the Fund Secretariat's comments which summarize the key elements of the programme and provide recommendations for Committee consideration.

4. Progress reports are the Committee's main source of information for monitoring project implementation. The Fund Secretariat prepares a consolidated progress report and comments on agency progress reports to facilitate the Committee's review.

5. Work programmes are intended to be the annual strategic plan of the implementing agencies which include budget estimates for agency activities and projects costing below US \$500,000 in addition to pipeline projects for the entire year. Work programme amendments are usually presented at every Executive Committee meeting for consideration. The Fund Secretariat consolidates work programmes into one document and provides comments and funding recommendations on work programmes and their amendments.

6. Investment projects are often the result of a process which includes project development, negotiation and endorsement by the beneficiary Article 5 country, internal agency approval, independent technical review, review by the Fund Secretariat, and finally approval by the Executive Committee after discussion/review during Committee meetings. Projects are submitted six weeks in advance of Committee meetings to the Fund Secretariat which has two weeks to review and evaluate the documents. Project reviews by the Executive Committee can be classified into three categories:

- a. Projects for which all issues have been resolved in advance of Committee meetings;
 - b. Projects with remaining unresolved issues; and,
 - c. Projects that require policy decisions by the Executive Committee.
7. Executive Committee policies have been addressed and decided in a number of different ways. For example, policies were decided as a result of:
- a. Requests from the Meeting of the Parties;
 - b. Issues addressed at the prior request of the Committee;
 - c. Reviews of projects, work programmes, and country programmes; and,
 - d. Precedent setting Committee decisions.

COUNTRY PROGRAMMES, PROGRESS REPORTS AND WORK PROGRAMMES

Country Programmes

8. Country programme presentations require time during Committee meetings. The time required for presentation cannot be reduced because the programmes provide a phase-out strategy and series of projects which are important to the Committee's future decision-making process. At the Tenth Meeting of the Committee, 11 country programmes were reviewed. It is expected that as many will be presented at any one Executive Committee meeting which will result in a voluminous bulk of documents and the associated high cost of reproduction and sometimes translation.

Progress Reports

9. Progress reports are essentially the Committee's primary source for project monitoring. As more projects are approved by the Committee, the Committee's role in monitoring will also increase. This agenda item will, in the future, occupy more of the Committee's time to reflect the importance of monitoring progress of project implementation.

Work Programmes

10. Work programmes are essential for strategic planning and should be thoroughly reviewed in terms of project priorities and sectoral ODS phase-out targets. In the future, work programmes will also need to show a nexus between planned activities and the three-year plan and budget. Therefore, pipeline projects and cash flow projections should always be included

in future work programmes. In order to provide a basis for work programmes to reflect these objectives, a meeting of implementing agencies and the Fund Secretariat should occur in December of each year to consider activities for inclusion in implementing agency work programmes for the following year and to establish their relation to the three-year plan and budget.

OPTIONS FOR STREAMLINING PROJECT REVIEW

Project Documentation

11. With more projects, activities and issues expected to be considered by the Committee in the future, project documentation will continue to increase. Sometimes the documentation received for project proposals include numerous consultants' reports and other material. The minimal documentation required for a review of projects includes the executive project summary, the technical review (and response if applicable), and the Fund Secretariat's comments and recommendations.

Projects with No Unresolved Issues

12. Projects for which all issues have been resolved in advance of Committee meetings may be approved with little or no discussion at Committee meetings and/or possibly before Committee meetings. Reports of past Committee meetings indicate that approximately 25 per cent of all projects costing above US \$500,000 resulted in no recorded discussion. These projects may result from a complete proposal for a proven, cost-effective technology or sufficient time to resolve issues. Such projects might be submitted to the Executive Committee for approval:

- a. At Committee meetings as one group of projects, i.e., blanket approval, and/or
- b. Between Committee meetings on a non-objectional basis.

Blanket Approvals

13. To reduce the time for consideration of projects for which the implementing agencies, technical reviewer, and Fund Secretariat all recommend approval, the Committee might consider grouping all projects together for a blanket introduction and approval. If any member of the Committee wants to discuss any project, that project could be removed from the blanket approval and discussed separately.

Approval on a Non-Objectional Basis

14. Both the paper on Future Working Procedures of the Executive Committee (the Norwegian Paper) and the report of Sub-Committee on Accelerating Project Implementation recommended that procedures to facilitate consideration of projects between meetings should be established.

15. Non-objectional approval would reduce the number of projects required for consideration during meetings, spread the project review work for the Fund Secretariat and Committee members over the entire year instead of the two to four weeks before meetings, enable implementing agencies to obtain non-objectional approval within a short time of completion of project proposals, allow for an increased number of projects to be considered, and encourage greater co-operation in resolving outstanding issues.

16. Implementing agencies would be encouraged to submit project proposals and work programme amendments as soon as they are completed to the Fund Secretariat for review. Only projects prepared by implementing agencies would be considered for non-objectional approval. Also, the quality of proposals would have to be at the same level as those discussed at Executive Committee meetings.

17. The Fund Secretariat would review the project and attempt to resolve outstanding issues with the implementing agencies and/or Article 5 countries, if necessary. If issues associated with the project remain unresolved, the project would be submitted to the Executive Committee for consideration. If agreement is reached, the project would be submitted to all Executive Committee members for approval. The Fund Secretariat, in co-operation with the implementing agencies can prepare a standard format to facilitate Committee members' review process.

18. If any member of the Committee objects to the project or wishes a discussion of issues, the proposal would be submitted to the next meeting for discussion and resolution. If no member of the Committee states an objection within four weeks of transmittal of the proposal, the project will be approved pending availability of funding. Once funding availability is verified, the Treasurer will be notified by the Chief Officer, after consulting the Chair and Vice Chair, to make the approved funding available to the implementing agency. The decision will then be recorded in the report of the next Executive Committee meeting.

19. While strategies such as approval on a non-objectionable basis may provide more time to resolve issues, retaining consultants may also provide additional time for project review prior to delivery of project documents to Committee members. The Fund Secretariat staff has been able to review the current number of documents submitted prior to Committee meetings as a result of extensive overtime over the two-week review period. With an increase in the number of submissions, there is no additional time for a review of an increased level of activity. Retaining consultants should enable the Fund Secretariat to review the expected increasing amount of project submissions in the future.

Projects with Remaining Unresolved Issues

20. Projects with remaining unresolved issues that are presented to the Executive Committee tend to evoke discussion during Executive Committee meetings. The process of project review is lengthened due to several reasons, including:

- a. Discussion of projects benefitting Committee member countries;
- b. Issues concerning technical reviews; and,
- c. Difficulties in resolving issues during formal meetings.

Discussion of Projects Benefiting Committee Member Countries

21. From time to time, project proposals for countries which are also Executive Committee members may be presented for discussion at Committee meetings. Member countries would stand to benefit from project approval and thus, their participation in the discussion and voting, if necessary, could be viewed as a conflict of interest. The only way to avoid the appearance of a conflict of interest is for such Committee members to be excused from the discussion of projects that have a direct benefit to their own countries. In certain instances, however, due to the Committee members probable acquaintance with the project in question, the Chair might deem it appropriate to call upon the Committee member for clarifications.

Issues Concerning Technical Reviews

22. The process of providing technical reviews has caused some concerns. Sometimes the consultant who prepared the proposal is also asked to perform the technical review. Concern was expressed during the last meeting about this practice. The technical review should be independent from the project preparation.

23. The content of technical reviews has varied widely with no written guidelines provided by either the implementing agencies or the Executive Committee. Some technical reviews offer a brief opinion about technical viability with little, if any, justification of the opinion. Other reviews are more comprehensive and address the advisability and need of project components, project cost estimates, environmental soundness, project cost-effectiveness, and alternative project approaches. At its last meeting, the Chair requested the implementing agencies to take account of their own technical reviewers' comments prior to the submission of project proposals. With this greater emphasis on technical reviews, it is incumbent upon the Committee to provide guidelines to assure that all pertinent concerns are addressed both by the technical reviewer and the implementing agency.

Difficulties in Resolving Issues during Formal Meetings

24. It is sometimes very difficult to resolve all contentious issues during any one single meeting of the Executive Committee. A standing Project Review Sub-Committee would provide

the mechanism for discussing projects in detail, reviewing recommendations, resolving conflicting views on projects with contentious issues, and assessing policy issues for consideration at the Committee meeting.

25. The establishment of such a Sub-Committee could reduce the meeting time required for the consideration of project issues during meetings. The Sub-Committee could be established on a trial basis for one Committee meeting after which a decision could be taken on its establishment as a standing Sub-Committee. The Sub-Committee would be mandated to:

- a. Review project proposals, work programme amendments, and related policy issues;
- b. Meet with the Fund Secretariat and implementing agencies, as needed, between Executive Committee meetings and/or concurrently with Executive Committee meetings; and,
- c. Develop a set of recommendations on all issues for consideration at the Committee meeting.

Projects that Require Policy Decisions by the Executive Committee

26. Currently, there is no modality for addressing policy issues without prior request from the Committee or the Parties. Projects or project components are often deferred until policy issues are resolved. If policy papers could be prepared as they arise, policy issues and some project proposals might be resolved more expeditiously.

27. To further distinguish policy issues from project technical issues, policy issues should be discussed separately. In this way, the Committee will be able to focus on the policy aspect of the issue and not confuse it with the separate consideration of a project's eligibility or funding.

28. Committee decisions often provide guidance for future project proposals. If conflicting views on projects cannot be resolved before meetings, the views should be framed in terms of a policy decision for the Committee. In this way, the Committee would focus on the policy aspect of project funding decisions instead of the a project's technical detail. Once a policy decision is taken, the project request could then be resolved.

29. There are other issues that arise out of projects that might not be a result of conflicting views, but may nevertheless need clarification. For example, the Committee decided that depreciation should not be considered as part of incremental costs of one project, but the Committee did not specifically adopt, as a policy precedent, a prohibition of funding depreciation. Similarly, as decisions are taken on projects, there may be policy aspects that should be separated and framed in such a manner as to establish precedent for future project development.

SUMMARY MEETING DOCUMENTATION

30. With the expected increase in activities and documentation, it will be increasingly difficult for Executive Committee members to focus their meeting preparation on the critical issues that are expected to be discussed during Committee meetings. While the Fund Secretariat's comments provide summary briefings on most documents, there is no overall summary briefing for the meeting. Such an overview, or annotated meeting agenda, may contribute to streamlining Committee meetings as members will be better prepared for the pertinent issues.

RECOMMENDATIONS

31. The following recommendations are provided for Executive Committee consideration:

1. Documentation for country programmes distributed to all Committee members may be limited to country programme cover sheets, executive summaries, and Fund Secretariat comments although the full country programme will be made available upon request.
2. Implementing agencies and the Fund Secretariat should meet in December to consider work programme activities for the following year and to establish their relation to the three-year plan and budget.
3. Documentation for project proposals distributed to all Committee members should be limited to the executive project summary, the technical review and response, and the Fund Secretariat's comments although project proposal background material will be made available upon request.
4. Projects for which all issues have been resolved in advance of Committee meetings may be submitted for blanket approval.
5. Approval on a non-objectional basis should be adopted by the Committee and implementing agencies should be encouraged to submit proposals for non-objectional approval.
6. Committee members whose projects are being considered should refrain from discussion of their own projects unless invited by the Chair for clarification purposes.
7. Consultants used in the preparation of proposals should not be allowed to review them.
8. Implementing agencies and the Fund Secretariat should develop a standard format for technical reviews for the Executive Committee's consideration at its next meeting.

9. The Executive Committee should establish, on a trial basis, a Project Review Sub-Committee.
10. Conclusions of the Executive Committee on policy issues arising out of projects are to be considered as guidance in the development of future project proposals.
11. Policy issues should be presented for consideration of the Executive Committee by the Fund Secretariat to the earliest available Committee meeting as part of a separate agenda item on policy issues.
12. The Fund Secretariat should prepared a meeting overview paper for distribution to Committee members before Committee meetings.

A Discussion Paper From the United States and Canada on
The Technical Review of Fund Projects

For Consideration of the 11th Meeting of the Executive Committee

Background

1. At its 10th Meeting, the Executive Committee recognized that its working patterns needed to be adapted to the sharp increases in the activities of the implementing agencies. The goal of this proposed adaptation was to ensure that it was able to secure continuous and coordinated attention to broad operational and policy guidelines, including the establishment and implementation of priorities based on the criteria adopted by the Parties.
2. One way to free up the time of the Secretariat and the Executive Committee, and to ensure that only high quality projects ready for review make their way to the Executive Committee, would be to strengthen the project review process.
3. Current Executive Committee guidelines require that all investment projects undergo an independent technical review prior to their submission. To meet this requirement, the World Bank has established the Ozone Operations Resources Group (OORG) to review its projects. UNDP contracts out for consultants to review individual projects. UNIDO has not yet established a mechanism for project review.
4. To a large extent, the topics covered in the review, and the depth of their coverage have been left to the discretion of the implementing agencies. The focus of the technical reviews provided to date has been on the viability of the proposed technology, and to a lesser degree, the cost effectiveness of the option selected, and the actual cost projections associated with the individual project components. The quality of review has not been uniform between agencies, and, at least partially due to the absence of any guidance on preferred technologies and cost effectiveness, there has been little consistency on the technology judgments. Finally, there has not been significant scrutiny of estimates for equipment and other cost items delineated in projects proposals. One result of this has been that the Secretariat and some Executive Committee members have spent a significant amount of time investigating whether the technology selected is appropriate and the costs proposed in project submissions are realistic. This review often leads to related discussions at the Executive Committee meetings, which take away from the time that could be spent on policy issues that the Committee needs to consider to ensure the effective operation of the Fund.
5. The proposal which follows addresses this issue. It is based on the premise that if the Executive Committee establishes a project technical review process which it has confidence in, it can leave the detailed review to the review group, and focus more of its time on broader policy issues.

Proposal for Ensuring Thorough, Consistent Technical Review

A. The Executive Committee accepts the offer of the World Bank to continue to host and provide day to day management of OORG related activities. However, the OORG shall henceforth be recognized as an independent panel constituted for the benefit of the Executive Committee and all of its implementing agencies.

B. The OORG shall be co-Chaired by the Chief Officer of the Fund Secretariat on behalf of the Executive Committee, and the World Bank on behalf of the implementing agencies. These officers shall cooperate, inter alia, in decisions related to the selection of new OORG reviewers, and shall report to the Executive Committee.

C. OORG should be the sole body charged with providing technical reviews of Multilateral Fund projects for projects emanating from the implementing Agencies.

D. OORG reviewers shall not be selected for a project review if they participated in the development of the proposal, and either they or their employer have a financial stake in project.

E. OORG reviewers shall be given no less than 5 days for review of a project, and are encouraged to collaborate with others as needed to ensure a thorough consideration of each item enumerated under para H below.

F. Projects submitted to the Executive Committee for review shall take into consideration the comments of the OORG reviewer either through amendment of the project, a note which explains how the project will be adjusted to take into account the comments submitted by the OORG reviewer, or through the submission of written comments which explain why the implementing agency differs with the conclusion of the OORG review. If the latter occurs, the OORG reviewer may submit a response to those comments in writing.

G. Meetings of the OORG shall be open to observers.

H. The Secretariat and the Implementing Agencies shall propose guidelines on the format and content of OORG reviews. Such guidelines, which may be reviewed and revised as experience dictates, should initially include:

- an assessment of whether the technology proposed is highly cost effective compared to other available technological options
- an assessment of whether the technology proposed is an environmentally sound technological option compared to other available technological options and taking into account country specific considerations
- a finding on whether equipment being proposed is necessary to facilitate the existing level of service, and is essential to the proposed conversion

- a finding on whether the proposed costs associated with project items are reasonable given expected costs for the same level and kind of service currently provided.
- a finding on the reasonableness of the cost and benefit estimates delineated in the project proposal taking into account, inter alia, decreases in defects and/or increases or decreases in energy needs brought about by the project.

I. The roster of eligible OORG reviewers should be increased in size as necessary to meet the increased demand for project review from the other agencies, as well as to ensure that it has the expertise to fully address the above noted matters in all sectors.

J. In addition to the review of projects, OORG may be asked to provide the technical background to allow the Secretariat and the Executive Committee to formulate policy recommendations on issues of concern. In formulating such policy recommendations, the Secretariat may consult with the UNEP Technology Panel and/or its various options committees.

Conclusion

6. The proposal outlined above recognizes and attempts to fully utilize the comparative advantage of each of the various participants in the Executive Committee process. Technical reviewers have a comparative advantage in addressing technical matters including project component costs. As our full time experts overseeing the operation of the Fund, our Secretariat, working with our implementing agencies, has a comparative advantage in the identification of new issues which should be addressed through a policy decision of the Executive Committee. The Secretariat also has a comparative advantage, and indeed a mandate to ensure that projects are substantively consistent with our guidelines, and proposed costs are "incremental". The Executive Committee has a mandate to take decisions on projects, and has agreed that it must move to establish clear but flexible policy guidance to enable the Fund to operate effectively.

7. Consequently, if the Executive Committee establishes a consistent project review system that it has confidence in, and that process raises no issues of concern with proposed projects, the Executive Committee could be expected to follow its recommendations and approve those projects in the most expedient and cost effective manner possible. This may, as noted in the Norwegian paper tabled at the last meeting, include no-objection approval between meetings. On the other hand, if the review process identifies issues of concern that can not be resolved prior to the Meetings of the Executive Committee, those issues should be considered in the most expedient and cost effective manner possible, which, as proposed in the Norwegian paper, may include initial consideration by a subcommittee constituted to make recommendations to the full Committee. In either event, the Executive Committee is bound to take decisions on projects.